

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Council: 30 August 2023**

Subject: Unaudited 2022/23 Annual Accounts**1. PURPOSE**

- 1.1 The purpose of this report is to provide Council with a copy of the unaudited 2022/23 Annual Accounts and information regarding the 2022/23 outturn as set out in the draft accounts.

2. RECOMMENDATIONS

- 2.1 Members are asked to:
- a) note the unaudited 2022/23 Annual Accounts
 - b) note the information provided in relation to the financial performance of the Council's services and capital plan for 2022/23
 - c) note the current position regarding the Council's reserves
 - d) note that a report on the audited accounts will be submitted to either Council or Audit Committee by 31 October 2023 for approval
 - e) agree to delegate authority to the Audit Committee to formally approve the audited accounts at a special meeting of the Audit Committee scheduled for 2 November 2023, prior to submission to the Accounts Commission.

3. BACKGROUND

- 3.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2023. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 accounts have been prepared in accordance with this Code.
- 3.2 There is a statutory requirement to prepare a set of accounts and submit them to the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is 30 June each year.

4. MAIN ISSUES

- 4.1 The Council's draft 2022/23 annual accounts, including the group accounts, were submitted to the Controller of Audit on 3 July 2023. This is marginally after the 30 June deadline (one working day late) however this is not a

material concern. Our external auditors (Mazars) have commenced their audit.

- 4.2 The unaudited accounts show that the outturn on the general fund is an overspend of £6.607m after the budgeted use of additional resources of £9.068m. This represents an overspend of 2.56% against 2022/23 revised budget of £258.297m. The £6.607m overspend breaks down as:

	£000
Service overspend including loan charges	1,311
Under recovery of capital receipts (used to fund repayment of loan principle and any premiums incurred when restructuring loans)	2,800
Voluntary redundancy/severance provision	3,400
Over recovery of Council Tax Income	(904)
Total	6,607

The Housing Revenue Account (HRA) is reporting an in-year deficit of £0.099m.

- 4.3 Since 2010/11, local authorities have been required to prepare financial statements following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a management commentary in the accounts. The contents of the annual accounts are summarised in the paragraphs that follow.
- 4.4 **Management Commentary:** outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced by the Council.
- 4.5 **Statement of Responsibilities for the annual accounts:** outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.6 **Annual Governance Statement:** this details the view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within the Council during 2022/23 and that there are no significant weaknesses.
- 4.7 **Remuneration Report:** provides details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.

Comprehensive Income and Expenditure Statement (CIES):

- 4.8 This statement shows the accounting cost of providing services rather than the amount to be funded from taxation, in order to comply with the requirements of the Code. This means that the net cost of service includes

statutory accounting adjustments for depreciation, loans fund principal repayment, the net change for the pension adjustment and accrued holiday leave not taken by 31 March 2023; adding a total of £34.907m onto the cost of service provision. This is one of the main reasons why the actual outturn shown within the Comprehensive Income and Expenditure account differs from the actual outturn shown within the management commentary (page 8), as these costs are not included as part of the service budgets. A reconciliation between the two outturns is shown at paragraph 4.10.

- 4.9 The Council ended the year with a surplus of £289.332m for 2022/23. This is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance, which comprises of the following:

	£000
Deficit on Provision of Services	51,881
Deficit on the revaluation of long term assets	1,554
Actuarial gain on the pension fund asset	(342,767)
Total Surplus	(289,332)

- 4.10 The table below, sets out a reconciliation of the deficit on the provision of services of £51.881m as noted in the Statement of Comprehensive Income and Expenditure under IFRS requirements and the in-year revenue overspend of £6.607m against budget (paragraph 4.2):

	£000
Deficit on Provision of Services per the Comprehensive Income and Expenditure Statement	51,881
Less: statutory adjustments required by the Code (paragraph 4.8)	(34,907)
Deficit on Provision of Services per Note 15 – Expenditure and Funding Analysis	16,974
Adjust for movements to/from statutory reserves:	
HRA reserve	0,170
Other reserves	(1,469)
Movement in General Fund Balance	15,675
Use of Earmarked Reserves	(9,068)
Net General Fund budgetary control position 2022/23	6.607

- 4.11 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £289.333m from £327.122m as at 31 March 2022 to £616.455m as at 31 March 2023. The major changes are set out in the table below.

	31 March 2022 £000	31 March 2023 £000	Change £000	Main Reason
Long Term Assets	1,054,610	1,338,462	283,852	Movement from a Pension liability to a Pension Asset as at 31 March 2023. Also, an increase in Property Plant and Equipment, in line with capital expenditure offset by depreciation in year.
Current Assets	76,404	71,414	(4,990)	Cash and Cash Equivalents increased slightly and a decrease in Debtors
Current Liabilities	(349,509)	(402,179)	(52,670)	Short-term Borrowing has increased (in line with the Treasury Strategy and capital spend).
Long Term Liabilities	(454,383)	(391,242)	63,141	Net Pension Liability has significantly decreased and is now shown as a long term asset on the Balance Sheet.
Total	327,122	616,455	289,333	

Movement in Reserves Statement

- 4.12 This shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).
- 4.13 The total Council reserves have increased from £327.122m at 31 March 2022 to £616.455m at 31 March 2023, an increase of £289.333m, due predominantly in the material change in the pension reserve.
- 4.14 The balance of unusable reserves has increased by £276.337m from £308.070m as at 31 March 2022 to £584.407m as at 31 March 2023. This is predominantly due to the material change in the pension reserve from a liability of £55.690m in 2021/22 to an asset of £260.242m in 2022/23 (an increase of £315.932m).
- 4.15 In respect of the General Fund Balance movement, during 2022/23, the Scottish Government issued Finance Circular 10/2022, which permits the authority to apply an accounting flexibility for service concession arrangements entered into prior to April 2022. The application of this flexibility has resulted in the repayment of the liability being reprofiled over the asset life, therefore extending the repayment period. The unitary charge will continue to be paid to the contractor over the original contract period. This resulted in a revision to the opening balance in the General Fund which increased it by £29.734m from £15.020m to £44.754m. There was a corresponding decrease to the Capital Adjustment Account.

In 2022/23 there has been a decrease of in the general fund of £15.675m from that revised opening balance of £44.754m to £29.079m. Of that total £24.590m is earmarked for specific purposes. The Council has agreed to hold a contingency balance (prudential target) equivalent to 2% net expenditure (excluding requisitions) and this amounts to £3.438m. The remaining General Fund balance (unearmarked balance) amounts to £1.051m.

Note that the Council has approved an increase in the prudential target from 2% to 3% and this will be reflected from 2023/24 onwards.

- 4.16 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents increased by £0.410m to £2.550m.
- 4.17 **Notes to the Financial Statement:** The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.
- 4.18 **Council Tax Income Account:** This account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the CIES. Council Tax rate for Band D was £1,332.36 for 2022/23 compared to £1,293.55 in 2021/22 (a £38.81 increase) reflecting the 3% increase agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2022/23 was £39.313m. This compared to £38.207m in 2021/22.
- 4.19 **Non Domestic Rate Income Account:** This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non Domestic Rate Account. Net Non-Domestic Rate Income to the Consolidated Income and Expenditure Account amounted to £107.740m for 2022/23. This compares to £81.408mm in 2021/22. This is WDC's share of the estimated NDR income which has been distributed proportionately on the basis of the Council's 2021/22 mid-year income. It does not represent additional income to the Council, just a distribution of the national pool to reflect what is due to the Council as agreed as part of the 2022/23 settlement figure (already accounted for) and what the Council collected.
- 4.20 **Housing Revenue Account**
- In relation to the HRA, the draft accounts show a balance of £2.635m as at 31 March 2023. Of this balance £1.650m is earmarked for service improvements/welfare reform resilience, leaving an un-earmarked balance of £0.985m, which is in line with the prudential reserve target.
- 4.21 **Capital Programmes**
- Details of the capital programmes are shown in Appendix 4 (General Fund) and Appendix 5 (HRA) and are summarised below. The appendices detail the outturn of the projects within 2022/23 and provide further information on the projects which have been identified as red status (i.e. those projects which are likely to be significantly overspent and/or to have significant delays in completion). A list of the main capital projects progressed during

2022/23 is provided on page 12 of the Annual Accounts. The year end position is summarised as follows:

	Budget	Spend	Variance	Overspend	Underspend	Reprofiling
	£,000	£,000	£,000	£,000	£,000	£,000
General Services	66,686	27,297	-39,389	2,079	-1,568	-38,878
HRA	65,604	34,930	-30,674	9,467	-1,176	-38,965
Total	132,290	62,227	-70,063	11,546	-2,744	-77,843

4.22 The main areas of reprofiling in the year were:

General Services	
District Heating Expansion	Network expansion to Golden Jubilee National Hospital will commence pending positive commercial discussions.
Heritage Capital Fund	Original plans were affected by COVID. Officers are now progressing the projects with an aim to bring them back on track.
Vehicle Replacement	Delay due to the vehicle build time associated with the specialist vehicles and the delivery lead time from the date of supply order placement.
Levelling Up Fund	Artizan Development will progress following completion of the development plan.
HRA	
New house build	While the programme has progressed with a new site completed and handed over in 2022/23, due to a number of different complexities there were delays in progress to newer new build sites.
Projects to deliver housing strategies (Buy Backs)	These are subject to stringent criteria to ensure accountability and value for money for tenants and involves several key stakeholders which resulted in time delays
Doors/Windows	Installations are behind original planned targets due to internal and external contractor resource issues
Building external components	Many tiled roof blocks require owner involvement and under the current financial climate, it has been more difficult to progress works with owners.

4.23 **Group Accounts:** The Council is required to prepare Group Accounts in

addition to its own Annual Accounts. Group Accounts are prepared when a Council has a material interest in other organisations. The purpose of the accounts is to combine its financial information with other organisations within its group. For 2022/23 the Council's group consists of

- (a) West Dunbartonshire Leisure Trust
- (b) Dunbartonshire and Argyll and Bute Valuation Joint Board
- (c) Strathclyde Partnership for Transport
- (d) Strathclyde Concessionary Travel Joint Board
- (e) Clydebank Property Company
- (f) West Dunbartonshire Energy Company
- (g) Health and Social Care Integrated Joint Board
- (h) Dumbarton Common Good and Trust Funds.

4.24 The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £56.287m creating an overall net asset of £673.005m.

4.25 **Update on Transformational Projects**

Following recent (but temporary) Scottish Government legislation, the Council agreed as part of its budget for 2022/23 to use capital receipts to fund some transformational spend. The budgeted spend approved by Council was £0.700m, the actual spend as at 31 March 2023 was £0.700m. Appendix 6 provides further details of these transformational projects and the position regarding these as at 31 March 2023.

Next Steps

4.26 To enable the Council to meet its legislative requirements, Members require to approve the audited Annual Accounts for signature no later than 30 September 2023. The Council's external auditors have advised that they are unlikely to have their audit fully completed by this deadline. As there is a Council meeting scheduled for 25 October 2023, and the next Council meeting scheduled after that is 20 December 2023, a special meeting of the Audit Committee has been arranged for 2 November 2023 to allow the audited accounts to be approved. Council is therefore asked to agree to delegate authority to the Audit Committee to formally approve the audited accounts at this special meeting which will allow the audited accounts to be submitted to the Accounts Commission.

Charity Accounts

4.27 Appendix 7 provides Members with the accounts of the Trust Funds which are administered by the Council. These Financial Statements are also audited by our external auditors prior to submission to the Office of the Scottish Charity Regulator (OSCR). The draft Financial Statements 2022/23 have been presented to the external auditors. As noted at 4.23 above these are also included within the Council's Group position.

The summary position of the Trusts are noted below – interest gained was

received for all trusts, with six grant payments made, four from the Alexander Cameron Bequest and two from Dr AK Glen Fund. As the AK Glen Fund has been fully distributed it has been wound up and removed from the Scottish Charity Register.

	Opening Balance 2022/23	Surplus / (Deficit) 2022/23	Closing Balance 2022/23
Dunbartonshire Educational Trust Scheme 1962	90,712	1,796	92,508
McAuley Prize for Mathematics	21,898	435	22,333
Alexander Cameron Bequest	120,269	(2,764)	117,505
Dr AK Glen	4,947	(4,947)	0
UIE Award	24,757	491	25,248
Totals	262,583	(4,989)	257,594

4.28 The audited Trust Fund accounts will be approved by the Council, together with the Council's Financial Statements, but will be presented to the Trust Committees separately.

4.29 **Common Good**

Appendix 8 provides Members with the accounts of the Dumbarton Common Good which are administered by the Council, also audited by our external auditors as part of the year end process. As noted at 4.23 above this is also included within the Council's Group position.

The main movements within the common good are noted below:

	£
Opening Balance	581,313
Income	330,789
Expenditure	<u>(287,207)</u>
Closing Balance	<u>624,895</u>

CONCLUSION

4.30 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has decreased by £15.675m from a revised opening balance of £44.754m to £29.079m, after taking into consideration the movement during the year, the end of year outturn position and earmarkings. The Council's net worth, per the balance sheet, has increased from £327.122m at 31 March 2022 to £616.455m at 31 March 2023, an increase of £289.333m, due predominantly to a material change in the pension reserve which is an unusable reserve.

5. PEOPLE IMPLICATIONS

5.1 There are no people implications as a consequence of this report.

6. FINANCIAL AND PROCUREMENT IMPLICATIONS

6.1 There are no direct financial or procurement implications arising from this report.

7. RISK ANALYSIS

7.1 No risk analysis was required

8. EQUALITIES IMPACT ASSESSMENT (EIA)

8.1 No equalities impact was required in relation to the preparation of this report.

9. CONSULTATION

9.1 The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns with the report.

10. STRATEGIC ASSESSMENT

10.1 Sound financial practices are cornerstones of good governance and support Council and officers to pursue the Council's strategic priorities.

Laurence Slavin
Chief Officer - Resources
Date: 30 August 2023

Person to Contact: Carol Alderson, Finance Manager, 16 Church Street, Dumbarton

E-mail: carol.alderson@west-dunbarton.gov.uk

Appendices

1. Draft Annual Accounts to 31 March 2023
2. General Services Budgetary Control Report to 31 March 2023 – Revenue
3. HRA Budgetary Control Report to 31 March 2023 – Revenue
4. General Services Budgetary Control Report to 31 March 2023 – Capital
5. HRA Budgetary Control Report to 31 March 2023 - Capital
6. Update on transformational spend 2022/23
7. Draft Annual Accounts to 31 March 2023 for Trust Funds
8. Draft Position to 31 March 2023 for Dumbarton Common Good

Background Papers

Budget Report to Council - 1 March 2023

Local Government Finance Circular 4/2019 – capital receipts to fund transformational projects